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SUBJECT: SCENESSETTER FOR PRIME MINISTER BAJNAI'S MEETING
WITH VICE PRESIDENT BIDEN

Classified By: Political Counselor Paul C. O'Friel
for reasons 1.4 (b) and (d).

¶1. (C) Summary. Prime Minister Gordon Bajnai has received high marks from the International Monetary Fund for his management of the Hungarian economy after its near meltdown in October 2008. He has maintained the Hungarian commitment in Afghanistan despite very limited fiscal constraints, and accepted a Guantanamo detainee. Bajnai is a strong supporter of the Nabucco pipeline as a means of diversifying Hungary's sources of imported natural gas. The Hungarian Prime Minister's upcoming December 4 meeting with the Vice President is an opportunity to congratulate Bajnai for these successes, as well as to underscore the need for transparency and stronger anti-corruption efforts. End Summary.

TECHNOCRATIC PROWESS HELPS STABILIZE THE ECONOMY

¶2. (C) Gordon Bajnai (pronounced BOY-NI-EE) became Prime Minister on April 14, 2009 following the resignation one month earlier of his predecessor, Ferenc Gyurcsany. Bajnai, a technocrat, pledged to serve for one year and lead the country out of a near economic meltdown sparked by an October 2008 financing crisis. His fiscally disciplined approach, with cuts in social welfare and public sector spending, has stabilized the situation. He has won high marks from the International Monetary Fund, which, along with the European Union and the World Bank, is helping Hungary with a \$25 billion stabilization package. Bajnai's reforms are expected to increase Hungary's economic competitiveness, restore investor confidence, and put the country's high external debt levels on a sustainable path. While effective, the government's reform program, which reduced social spending and increased the value added tax, has not been popular.

COMMITMENT TO THE AFGHAN MISSION

¶3. (C) Despite severe fiscal constraints, Bajnai has maintained the Hungarian commitment in Afghanistan, which currently numbers 280 troops. Hungarians lead a Provincial Reconstruction Team (PRT) in Baghlan Province, participate in a joint Operational Mentor and Liaison Team (OMLT) with the Ohio National Guard, and have a small Special Forces group operating without caveat with U.S. forces. Hungary has committed to provide additional combat helicopter training, supply engineers for the Afghan Engineering School in Region North, and deploy two MI-17 helicopters with 30-35 personnel once the helicopters are refurbished. Ministry of Defense sources tell us that budget limitations will make it very difficult for Hungary to increase trop levels above the total 450 projected personnel in 2010. We understand that Bajnai intends to meet with his Foreign Minister, Defense Minister, and the Chief of Defense to evaluate how to make Hungary's contribution more valuable.

OVERCOMING BUREAUCRATIC RESISTANCE ON GUANTANAMO

¶4. (C) Prime Minister Bajnai overcame substantial bureaucratic resistance and clearly led the process that resulted in Hungary's September 16 decision to accept a Guantanamo detainee. Bajnai told Special Envoy Fried he viewed the decision as part of Hungary's duties as an ally to help as much as it could, saying, "We have a shared obligation practically, as well as symbolically, to help close Guantanamo." His office has directly overseen the exchange of notes that will lead to the exchange of the detainee, which is scheduled for the evening of November 30.

STRATEGIC INTEREST IN THE WESTERN BALKANS

¶5. (C) Hungary views the Western Balkans as its primary area of vital strategic interest. It has developed close ties with Serbia to nudge the country westward and fully supports visa liberalization for Serbians entering the Schengen Zone. Bajnai has also backed Croatian accession to the European Union. Hungary recognized Kosovo independence and has over 200 troops deployed with the Kosovo Force (KFOR). Another 150 plus troops are stationed with the European Force (EUFOR) in Sarajevo. Bajnai has advocated "cooperation, coordination, and integration" as a means to prevent new crises from developing.

FOCUS ON ENERGY SECURITY

¶6. (C) Hungary currently depends on Russia for 85 percent of its natural gas needs. Bajnai is a strong supporter of the Nabucco pipeline project as a means of diversifying Hungary's sources of energy, and is frustrated by the lack of consistent EU support for the project. He is deeply concerned by recent Russian efforts to gain influence in Croatia's energy sector. Bajnai plans to invite Croatia to a January meeting of Visegrad-4 Prime Ministers, which will include a discussion on energy security.

TRYING TO COMBAT CORRUPTION

¶7. (C) A recent, apparently politically influenced, tender decision against Slager Radio, an American-owned long-time investor, has highlighted the problem of corruption in Hungary. In response to an open letter by the U.S. and eight other chiefs of mission about a series of unfriendly actions against foreign investors, Bajnai asked to meet with the chiefs of mission on November 23 to address their concerns. In a closed session, the Hungarian Prime Minister said he was very disturbed by Slager and similar cases. He agreed that the letter helped highlight a continuing problem in Hungary, but also conceded his lack of control over the ruling Socialist Party in curbing abuses. Bajnai did commit, however, to establish a channel to discuss potential issues impacting foreign investors.

ECONOMIC DOWNTURN FUELS ANTI-ROMA TENSIONS

¶8. (SBU) Worsening economic conditions have heightened tensions between the majority Magyar and minority Roma communities. The openly racist and extreme right-wing Jobbik Party has exploited the situation by blaming perceptions of insecurity on "Gypsy crime." In 2008-2009 a series of racist attacks against Roma families (which were solved with FBI assistance) killed six people and injured five others. Bajnai takes the problem of intolerance seriously. He has condemned the violence and worked to address its root causes. He recently set aside 200 civil service position exclusively for Roma college graduates.

FUTURE IN POLITICS?

¶9. (C) Bajnai, despite a lot of pressure to the contrary, has stuck to his resolve not to stand for Prime Minister in next April's general elections, although there are recent indications that he may run as a member of Parliament. Despite approval ratings that currently hover around 27 percent, Bajnai is widely regarded by insiders for his technocratic skills. He speaks fluent English.

SUGGESTED TALKING POINTS

¶10. (C) We suggest the Vice President consider raising the following talking points in his meeting with the Hungarian Prime Minister:

-- Congratulations on stabilizing the economy and implementing important economic reforms. Hungary is a genuine success story, and a role model for other countries. I wish you success as you continue your restructuring efforts.

-- We appreciate your commitment in Afghanistan. The Hungarian PRT, the joint OMLT with the Ohio National Guard, and Special Forces troops are valued contributions. I know you have budget constraints, but ask you to do what you can to help.

-- We really appreciate your decision to accept a detainee. You know how important this issue is to our Administration.

-- Like you, we share an interest in preserving stability in the Western Balkans. By working together we can help ensure further integration into NATO and the European Union.

-- European energy security is important to the United States. I know that you have taken a leading role in supporting the Nabucco gas pipeline project. Diversifying natural gas supplies promotes economic stability and is in the interest of everyone.

-- I have heard about the Slager case, and the lack of transparency in the tender is disappointing. I ask that you do what you can to help combat corruption and support foreign investors.

-- You have taken commendable efforts to defuse communal tensions. I urge you to keep up these efforts to combat extremism.

LEVINE